

brokering loans or credits, or purchasing or selling foreign exchange, securities, commodity futures or options, or procuring purchasers and sellers thereof, as principal or agent; including, but not limited to, depository institutions, banks, savings banks, trust companies, securities brokers and dealers, commodity futures and options brokers and dealers, forward contract and foreign exchange merchants, securities and commodities exchanges, clearing corporations, investment companies, employee benefit plans, and U.S. holding companies, U.S. affiliates, or U.S. subsidiaries of any of the foregoing. This term includes those branches, offices and agencies of foreign financial institutions which are located in the United States, but not such institutions' foreign branches, offices, or agencies.

§ 586.318 United States.

The term *United States* means the United States, its territories and possessions, and all areas under the jurisdiction or authority thereof.

§ 586.319 United States person; U.S. person.

The term *United States person* or *U.S. person* means any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.

[66 FR 50509, Oct. 3, 2001]

Subpart D—Interpretations

§ 586.401 Reference to amended sections.

Except as otherwise specified, reference to any section of this part or to any regulation, ruling, order, instruction, direction, or license issued pursuant to this part refers to the same as currently amended.

§ 586.402 Effect of amendment.

Any amendment, modification, or revocation of any section of this part or of any order, regulation, ruling, instruction, or license issued by or under the direction of the Director of the Of-

fice of Foreign Assets Control does not, unless otherwise specifically provided, affect any act done or omitted to be done, or any civil or criminal suit or proceeding commenced or pending prior to such amendment, modification, or revocation. All penalties, forfeitures, and liabilities under any such order, regulation, ruling, instruction, or license continue and may be enforced as if such amendment, modification, or revocation had not been made.

§ 586.403 Termination and acquisition of an interest in blocked property.

(a) Whenever a transaction licensed or authorized by or pursuant to this part results in the transfer of property (including any property interest) away from a person whose property or interests in property are blocked pursuant to § 586.201, such property shall no longer be deemed to be property blocked pursuant to § 586.201, unless there exists in the property another interest that is blocked pursuant to § 586.201 or any other part of this chapter, the transfer of which has not been effected pursuant to license or other authorization.

(b) Unless otherwise specifically provided in a license or authorization issued pursuant to this part, if property (including any property interest) is transferred or attempted to be transferred to a person whose property or interests in property are blocked pursuant to § 586.201, such property shall be deemed to be property in which that person has an interest and therefore blocked.

§ 586.404 Setoffs prohibited.

A setoff against blocked property (including a blocked account), whether by a U.S. bank or other U.S. person, is a prohibited transfer under § 586.201 if effected after the effective date.

§ 586.405 Transactions incidental to a licensed transaction.

Any transaction ordinarily incident to a licensed transaction and necessary to give effect thereto is also authorized, except:

(a) An incidental transaction, not explicitly authorized within the terms of the license, by or with a person whose

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property or interests in property are blocked pursuant to § 586.201; or

(b) An incidental transaction, not explicitly authorized within the terms of the license, involving a debit or credit to a blocked account or a transfer of blocked property.

[66 FR 50509, Oct. 3, 2001]

§ 586.406 Provision of services.

(a) Except as otherwise authorized, the prohibitions contained in § 586.201 apply to services performed by U.S. persons, wherever located:

(1) On behalf of, or for the benefit of, a person whose property or interests in property are blocked pursuant to § 586.201; or

(2) With respect to property interests of a person whose property or interests in property are blocked pursuant to § 586.201.

(b) *Example:* U.S. persons may not, without specific authorization from the Office of Foreign Assets Control, represent an individual or entity with respect to contract negotiations, contract performance, commercial arbitration, or other business dealings with persons whose property or interests in property are blocked pursuant to § 586.201. See § 586.509 on licensing policy with regard to the provision of certain legal services.

[63 FR 54576, Oct. 13, 1998, as amended at 66 FR 50509, Oct. 3, 2001]

§ 586.407 Offshore transactions.

(a) The prohibitions contained in § 586.201 apply to transactions by any U.S. person in a location outside the United States with respect to property in which the U.S. person knows, or has reason to know, that a person whose property and interests in property are blocked pursuant to § 586.201 has or has had an interest since the effective date.

(b) Prohibited transactions include, but are not limited to, importation into or exportation from locations outside the United States of, or purchasing, selling, financing, swapping, insuring, transporting, lifting, storing, incorporating, transforming, brokering, or otherwise dealing in, within such locations, goods, technology or services in which the U.S. person knows, or has reason to know,

that a person whose property and interests in property are blocked pursuant to § 586.201 has or has had an interest since the effective date.

(c) *Examples:* (1) A U.S. person may not, within the United States or abroad, purchase, sell, finance, insure, transport, act as a broker for the sale or transport of, or otherwise deal in, furniture, shoes or other goods manufactured by a state or socially-owned entity organized or located in the FRY (S&M).

(2) A U.S. person may not, within the United States or abroad, conduct transactions of any nature whatsoever with an entity that the U.S. person knows or has reason to know is a state or socially-owned entity within the territory of the FRY (S&M), or which benefits or supports the business of such an entity, unless the entity is licensed by the Office of Foreign Assets Control to conduct such transactions with U.S. persons or the transaction is generally licensed in, or exempted from the prohibitions of, this part.

NOTE TO § 586.407: See § 586.513 with regard to the authorization of certain trade-related transactions.

§ 586.408 Exempt financial transactions within the territory of the FRY (S&M); prohibition on establishment of new offices in Serbia.

(a) Section 586.201(c) exempts financial transactions, including trade financing, from the prohibitions contained in § 586.201 by U.S. persons physically located within the territory of the FRY (S&M), where those transactions are conducted exclusively through the domestic banking system within the FRY (S&M) in local currency (dinars), or using bank notes or barter. A U.S. entity must have a permanent establishment, such as a branch or representative office, within the territory of the FRY (S&M) to be considered physically located there for purposes of this paragraph (a).

(b) The prohibition on new investment within Serbia contained in § 586.204, as defined in § 586.312, precludes the establishment after the effective date of a new representative or branch office or joint venture or other entity within the territory of the Republic of Serbia, because such activity